CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 12, 2017

H.R. 2593
Federal Maritime Commission Authorization Act of 2017

As ordered reported by the House Committee on Transportation and Infrastructure on May 24, 2017

SUMMARY

H.R. 2593 would authorize appropriations totaling $129 million over the 2018-2019 period for activities related to waterborne transportation and commerce. Assuming appropriation of the authorized amounts, CBO estimates that enacting the bill would cost $129 million over the 2018-2022 period.

Enacting H.R. 2593 would decrease revenues by an insignificant amount; therefore, pay-as-you-go procedures apply. Enacting the bill would not affect direct spending.

CBO estimates that enacting H.R. 2593 would not increase net direct spending or significantly affect on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 2593 would impose intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandate on public entities would fall below the annual threshold established in UMRA for intergovernmental mandates ($78 million in 2017, adjusted annually for inflation). CBO cannot determine whether the cost of the mandates on private-entities would exceed the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 2593 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2018	2019	2020	2021	2022	2018-2022
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Authorization Level	64	65	0	0	0	129
Estimated Outlays	41	52	20	13	3	129

BASIS OF ESTIMATE

H.R. 2593 would authorize appropriations totaling $64 million in 2018 and $65 million in 2019 for activities related to waterborne transportation and commerce. (CBO estimates that funding for those activities in 2017 totals $37 million.) Those authorizations include:

- $30 million in each year for the Maritime Administration to make grants to support capital and related improvements at small shipyards;

- $28 million in 2018 and $29 million in 2019 for expenses of the Federal Maritime Commission, which regulates oceanborne transportation related to U.S. foreign commerce; and

- $6 million in each year for the Department of Commerce to make grants to support efforts to improve the safety of commercial fishing.

Based on historical spending patterns for existing and similar activities, CBO estimates that implementing H.R. 2593 would cost $129 million over the 2018-2022 period, assuming appropriation of the authorized amounts.

PAY-AS-YOU-GO CONSIDERATIONS

The bill would specify a different treatment of commercial fishing permits under federal laws, which could reduce the scope of civil actions pursued through federal courts to enforce maritime liens. Such a change in scope would reduce revenues from court filing fees; therefore, pay-as-you-go procedures apply. Based on the relatively small number of cases likely to be affected, CBO estimates that any decrease in revenues would be insignificant. (The federal costs to administer court proceedings would be insignificant and subject to appropriation.)

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 2593 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2593 would impose intergovernmental and private-sector mandates as defined in UMRA. CBO estimates that the cost of the mandate on public entities would fall below the annual threshold established in UMRA for intergovernmental mandates ($78 million in 2017, adjusted annually for inflation). Because the cost of the private-sector mandates would depend, in part, on the outcome of hearings held by the Federal Maritime Commission (FMC), CBO cannot determine whether the cost of the mandates on private-entities would exceed the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation).

Mandates That Apply to Both Public and Private Entities

The bill would impose intergovernmental and private-sector mandates on ocean transportation intermediaries and operators of marine terminals such as port authorities by requiring those entities to submit reports on their business activities to the FMC if requested. CBO estimates that the cost of complying with the reporting requirement would be small.

Mandates That Apply to Private Entities Only

The bill also would impose a mandate on ocean carriers by prohibiting a carrier from participating in a vessel sharing agreement and a rate discussion agreement without an exemption from the FMC. The cost of the mandate would include the cost of preparing for an administrative hearing and any losses of income the carrier would incur because the carrier may no longer participate in a vessel sharing agreement if no exemption is granted. Based on information from industry sources, CBO estimates that the administrative costs would be small, particularly if the FMC provides an exemption to classes of agreements that meet certain criteria. However, the costs of the prohibition could be substantial, totaling hundreds of millions of dollars, if a carrier could not obtain an exemption and would have to terminate an agreement. CBO cannot determine the likelihood or frequency of potential exceptions that would be granted by FMC. Consequently, we cannot estimate whether the costs of the mandate would be substantial relative to the annual threshold established in UMRA.

The bill also would impose a mandate on ocean carriers by prohibiting them from jointly negotiating agreements with tug operators and subjecting other joint negotiations to antitrust laws, which could result in higher costs. That is, the bill would prohibit ocean carriers from jointly negotiating with providers of some services at ports unless those negotiations meet the criteria of federal antitrust laws. Currently, only one group of ocean carriers has the authority to jointly negotiate with tug operators, and that authority has not yet been used. Based on those facts and information from industry sources, CBO estimates that the costs of those mandates would not be substantial in the first few years the mandate is in effect.

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